

**MINUTES
of the
FOURTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**October 2, 2014
Santa Teresa**

**October 3, 2014
Las Cruces**

The fourth meeting of the Economic and Rural Development Committee (ERDC) for the 2014 interim, a joint meeting with the Transportation Infrastructure Revenue Subcommittee (TIRS), was called to order by Representative Roberto "Bobby" J. Gonzales, chair, TIRS, and Senator Howie C. Morales, vice chair, ERDC, on October 2, 2014 at 9:14 a.m. at Santa Teresa High School in Santa Teresa.

Present

Sen. Howie C. Morales, Vice Chair
Rep. Ernest H. Chavez
Rep. Mary Helen Garcia
Sen. Phil A. Griego
Sen. Ron Griggs (10/2)
Rep. Dianne Miller Hamilton (10/3)
Rep. Yvette Herrell
Sen. Pat Woods

Advisory Members

Sen. Craig W. Brandt
Sen. Lee S. Cotter
Rep. Georgene Louis
Rep. Patricia A. Lundstrom (10/2)
Sen. Mary Kay Papen
Rep. Monica Youngblood

Absent

Rep. Debbie A. Rodella, Chair
Sen. Jacob R. Candelaria
Rep. George Dodge, Jr.
Rep. Nora Espinoza
Sen. Richard C. Martinez
Sen. Michael Padilla

Rep. Zachary J. Cook
Rep. Sandra D. Jeff
Sen. Timothy M. Keller
Sen. Carroll H. Leavell
Rep. James Roger Madalena
Sen. Mark Moores
Sen. John Pinto
Rep. William "Bill" R. Rehm
Rep. Patricia Roybal Caballero
Rep. Nick L. Salazar
Rep. James E. Smith
Rep. Thomas C. Taylor

Guest Legislators

Sen. Joseph Cervantes
Rep. Nathan "Nate" Cote
Rep. Anna M. Crook
Rep. Roberto "Bobby" J. Gonzales
Rep. Dona G. Irwin
Rep. Larry A. Larrañaga
Rep. Jane E. Powdrell-Culbert
Rep. Dennis J. Roch
Sen. John Arthur Smith

(Attendance dates are noted for members not present for the entire meeting.)

Staff

Monica Ewing, Staff Attorney, Legislative Council Service (LCS)
Tessa Ryan, Staff Attorney, LCS
Carolyn Peck, LCS Intern

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Thursday, October 2

The meeting began with introductions from members of the ERDC and TIRS.

Santa Teresa: A Potential Economic Powerhouse

Jerry Pacheco, founder and vice president, Border Industrial Association (BIA), provided an overview of the industrial growth and development in the Santa Teresa area and a brief history of the association and its role in the area's economic development. He told the members that the BIA mission is to recruit companies to New Mexico's port-of-entry areas with Mexico. The BIA was formed in 2009 and is composed of more than 100 members involved in industrial operations. He stated that the association's member businesses have invested millions of dollars, which has resulted in billions of dollars in annual production and approximately 3,000 jobs for New Mexico residents.

Mr. Pacheco went on to explain that Mexico is one of the United States' largest trading partners and is New Mexico's largest trading partner. He stated that in 2012, New Mexico led the nation in percentage growth of exports. Emphasizing the importance of trade with Mexico, Mr. Pacheco noted that while the state experienced a net decrease in total exports in 2013, New Mexico's exports to Mexico alone grew by 33%. He said that over half of all of New Mexico

exports to Mexico originate in southern Doña Ana County. Expanding on the potential for this market, he stated that two international investment firms, Goldman Sachs and Nomura, predict that the Mexican economy will enter the top 10 largest economies in the world by 2020.

Mr. Pacheco said that Santa Teresa is considered a part of the El Paso metropolitan area, with more than \$1 billion to \$1.5 billion of products crossing the Santa Teresa port of entry every month. He emphasized that there is still room for improvement concerning trade between the United States and Mexico. He suggested that the state focus on developing a stronger supplier base to the Mexican maquiladora industry, which in turn would create more production jobs within the state. Maquiladoras are primarily plants that assemble pre-made components, referred to as "production inputs". Maquiladoras import approximately 95% of the production inputs of Mexico's manufacturing industry. Production inputs, such as plastic injection components, metal parts, resin and packaging, are already supplied by U.S. firms primarily located in the Midwest. However, component manufacturers are under some pressure to place their firms closer to Mexican buyers. The demand to be closer to the border presents an opportunity for New Mexico to recruit maquiladora suppliers to the state.

Highlighting the Union Pacific Railroad's (UP) role in the economic growth in Santa Teresa, Mr. Pacheco stated that the UP railyard has added \$500 million to the New Mexico economy. The facility provided 3,000 jobs during the construction phase, and 600 additional jobs are projected in the future.

Turning to New Mexico's ability to meet expected demand, Mr. Pacheco referred to two key elements, industrial space and transportation. With regard to industrial space, he said that the current industrial parks in Santa Teresa have a 99% occupancy rate, and he indicated that new park space is planned. However, Mr. Pacheco expressed concerns for the road system in Santa Teresa and its possible hindrance of further economic development. In addition, he asked for an extension of the current overweight border commercial zone. The overweight zone currently allows carriers to carry up to 96,000 pounds of a reducible load within a six-mile radius of the Santa Teresa and Columbus ports of entry. The overweight zone in Santa Teresa extends from the port of entry to the Santa Teresa Intermodal Park. He said that the BIA is requesting the legislature to extend the overweight zone to accommodate industrial space up to 12 miles from the port of entry.

Finally, Mr. Pacheco noted the initiative for a binational community composed of Santa Teresa, New Mexico, and San Jerónimo and Ciudad Juárez in Chihuahua, Mexico. A joint initiative between Governor Susana Martinez and Chihuahua Governor César Duarte contemplates a master-planned community around the border crossing. In 2013, Governors Martinez and Duarte signed a bilateral agreement to begin promotion of the concept. This project would be the first of its kind. The Santa Teresa-San Jerónimo area has more than 70,000 acres of land available for industrial, commercial and residential development with 2,000 acres of rail-served industrial land.

Motion

Representative Lundstrom made a motion to have staff draft a bill to extend the overweight zone. The motion was approved without objection.

The members then moved into a general discussion about economic development factors in the Santa Teresa region. Topics raised included the labor force needed for business growth, the real estate market in the area and the balance of property tax rates versus amenities that the area offers. A particular concern was raised by a member concerning the cross-border used car market. That market often results in abandoned cars being left along the roadside leading to the port of entry, creating a hindrance to trucking shipments and to recruitment of new businesses to the area. Staff was requested to research whether additional law enforcement authority at the state level would be needed to alleviate the problem.

New Residents, Commuters and Industry: Is the Road System in Doña Ana County up to the Challenge?

Chuck McMahon, assistant county manager, Doña Ana County, Homer Bernal, international programs planner, New Mexico Department of Transportation (DOT), and Claude Morelli, advanced project manager, 2040 Statewide Long-Range Multimodal Transportation Plan (SLRP), DOT, gave a presentation on growth in the border communities in Doña Ana County and the state of the road system serving those communities.

Mr. McMahon said that there is room for Santa Teresa to grow and develop. Noting that some of the area's labor force currently lives in El Paso, he said that an affordable housing plan is expected to allow more workers to become New Mexico residents. He also emphasized the advantage of the foreign trade zone (FTZ), which was established by the Foreign Trade Zones Board of the U.S. Department of Commerce in 1993. The FTZ allows delayed or reduced duty payments on foreign merchandise as an incentive for local economic development and business opportunities.

Mr. McMahon then went on to provide a brief overview of the Doña Ana County International Jetport at Santa Teresa. The airport was originally constructed to relieve business at the El Paso International Airport as well as to support the commercial and industrial growth of southern Doña Ana County. Currently, the airport is constructing a facility to allow for direct international flights. It is also remodeling the entrance road to accommodate larger fuel and delivery trucks. The airport will also serve as the home to the Amigo AirSho, an annual air show that attracts tens of thousands of people. It is anticipated that the Amigo AirSho will foster additional growth for the airport.

Mr. McMahon also discussed future plans for Airport Road and Industrial Drive. Airport Road provides access to the Santa Teresa Industrial Park, the Doña Ana County International Jetport, the UP facility and the National Weather Service station. The complete reconstruction of Airport Road to accommodate current and future projected traffic is expected to cost approximately \$7.2 million. Industrial Drive connects Airport Road to Strauss Road and serves

as a critical connection between railroad tracks and two major industrial parks. The proposed plan is to completely reconstruct the roadway and provide more extensive road structure, wider lanes, storm drains and lighting. The approximate cost to reconstruct Industrial Drive is \$2.3 million. Mr. McMahon also spoke about the need to extend the overweight zone. He noted that the overweight zone serves to connect the intermodal yards to the main highways.

Mr. Bernal spoke about the infrastructure planning for the Santa Teresa region. He elaborated on the current condition of Airport Road and emphasized the importance of New Mexico Highway 136 ("Pete Domenici Highway"), which is vital for international trade and industrial development. He also highlighted a need to improve access to Interstate 10 in order to accommodate growing industrial, commercial and residential development and international traffic. He also noted that infrastructure projects must be approved and included within the SLRP and by the local metropolitan planning organizations or rural transportation planning organizations.

Mr. Bernal stated that the Santa Teresa port of entry may need to seek an expansion. If the local economy continues to grow, the proposal is to construct a "sub-port" that will include new inspection facilities, connecting roads and support infrastructure with an estimated cost of \$60 million. The DOT is currently developing a border master plan and a priority projects list for each of the New Mexico ports of entry.

Mr. Morelli gave a presentation on multimodal transportation issues in Doña Ana County. Mr. Morelli gave background information on statewide and other planning processes. The SLRP is the key framework for the DOT to prioritize projects and programs on a statewide basis. The ranking is performance-based. The DOT must be able to show how projects and programs contribute to meet federal and state transportation goals.

Mr. Morelli also listed other interrelated planning processes currently under way, including the following: development of a New Mexico-Chihuahua border master plan; a localized Santa Teresa border strategic plan; a cross-border rail feasibility study; and the El Paso and Mesilla Valley metropolitan transportation plans.

Mr. Morelli stated that the DOT has received proposals for several commerce corridors in the border region, including: the reconstruction of New Mexico Highway 136 and Airport Road that serve Santa Teresa; the reconstruction of New Mexico Highway 9 that serves the port of entry at Columbus; and enhancements to Interstate 10. He noted that the DOT received a large number of comments from residents regarding public transportation and the environmental impact of transportation additions. He said there was a high public demand for a commuter rail and bus transit in the southern part of the state between Las Cruces and El Paso. Mr. Morelli noted that in addition to road improvements, the DOT has also considered non-motorized "active" transportation modes and air transportation opportunities in the area. Mr. Morelli gave an opinion that Santa Teresa has strong potential for expanded air freight and executive travel.

Mr. Morelli testified that the key challenge to all of these projects is funding. He suggested that shifting toward a "life cycle" approach to estimating and reporting project costs may help alleviate some of the funding challenges. The life cycle approach takes into account not only initial costs to construct the road, but also includes costs for ongoing maintenance, operation and eventual replacement.

Members then entered into a general discussion. Topics raised during the discussion included:

- the availability and use of federal Transportation Investment Generating Economic Recovery (TIGER) grants;
- how New Mexico should approach the binational transportation infrastructure needs of the Santa Teresa-San Jerónimo-Ciudad Juárez area, including whether there would need to be a formal international agreement on infrastructure repairs and whether a memorial by the New Mexico Legislature encouraging joint funding would help promote the binational community; and
- road construction questions, including the need for an additional access point to Interstate 10 and the balance of benefits and costs of building concrete roads, which last longer than asphalt roads.

Logistics for Community Growth: Public Infrastructure Requirements to Underpin Economic Expansion

Dr. Kevin Boberg, vice president for economic development, New Mexico State University (NMSU), gave a presentation on inland ports, production to market logistics and economic development. In the early 1990s, Dr. Boberg toured inland ports in Laredo, Texas, Otay Mesa, California, and Alliance, Texas. His study of these communities helped inform the legislature when it adopted the Border Development Act in 1992, which authorized the creation of the Border Authority.

Dr. Boberg then defined the characteristics of an inland port as including:

- market proximity to at least three million people within 200 miles;
- a major, direct connection to an American seaport via a Class I railroad;
- FTZ status and privileges;
- an abundance of reasonably priced labor and commercial real estate;
- an overall governing body; and
- support from state and local governments.

Dr. Boberg talked more extensively about the town of Alliance, which he called a pioneer in the history of inland ports. Alliance is located between the juncture of rail lines and Interstate 35 in an area served by industrial aviation. Alliance has attracted more than 243 companies, which include 50 Fortune 500 firms. It is also considered the fastest growing area of the nation's fastest growing metropolitan city.

Using Alliance as a model and referring to the definition of an inland port, Dr. Boberg argued that the entire state of New Mexico should be viewed as an inland port and not simply a location for various ports of entry. He further argued that New Mexico's export trade qualifies it as a global port and that the state's policies should be channeled to maximize its potential as such. Dr. Boberg then went on to emphasize the importance of academics and the role of academics in capturing the economic potential of being a global port. He explained that the long logistic chains required by the global marketplace create a unique opportunity for port locations, noting that these long chains create a delay between product development and production on one end and the end user or sale on the other. He stated that this often means that market demand has changed before the product reaches the market.

Dr. Boberg said that being in the mid-point of the supply chain gives New Mexico an opportunity. If the state can provide technical and production abilities to modify products in transit, Dr. Boberg believes the state can market that ability to numerous companies, thus creating a local product adaptation industry. He indicated that a foundational element to create this industry would be to develop and promote an adaptive and technically flexible education sector at academic institutions.

Members then entered into a general discussion in which they delved into particular aspects of Dr. Boberg's argument. Two intertwined aspects that garnered the most attention were the definition of "added value" and relative importance of locally initiated production versus adding value to products initially produced elsewhere.

Tour of Santa Teresa Road System

Following the meeting, members toured the road system of Santa Teresa. The tour ended at 4:30 p.m.

Friday, October 3

The ERDC reconvened in the County Commission Chambers of the Doña Ana County Government Center.

Call to Order and Welcoming Remarks

Senator Morales welcomed the committee and audience members, and he thanked Doña Ana County for hosting the meeting.

Julia Brown, county manager of Doña Ana County, said she was happy to have the committee in Doña Ana County, and she offered to arrange a tour for the committee in the future.

Committee Working Groups

Nonprofit Organizations

Senator Morales, Senator Brandt, Representative Louis and Susan Wilger participated in the Nonprofit Organizations Working Group. Ms. Wilger summarized the group's work at the last committee meeting and said that the group discussed ways to improve the nonprofit system's efficiency. Ms. Wilger informed the group that she recently attended a meeting of 25 nonprofit organizations where the organizations' needs were discussed. She reported that the organizations want greater integration and efficiency among for-profit and nonprofit organizations and the private sector. A committee member recalled that during the 2014 session and in response to a nonprofit organization-focused bill, legislators asked why legal requirements were necessary to ensure that nonprofit organizations operate efficiently. A member of the working group said that if the bill is reintroduced, its supporters should be able to answer that question.

The legislators in the working group decided that the group should investigate the use of a shared services model and how the model could provide insight into the issues addressed by the legislation.

Telecommunications

Senator Woods, Representative Roch, Wayne Hancock, Drew Setter and Ken Giove discussed the fact that the State Rural Universal Service Fund is used by rural carriers to subsidize broadband service, which is critical for schools, hospitals, first responders and rural communities. Without the funding, there will be insufficient resources for infrastructure to ensure service in rural areas.

Liquor Control Act

The following legislators and members, agency representatives and members of the public participated in the Liquor Control Act Working Group: Alex Ocheltree, Ruben Baca, Oscar Andrade, Debra Lopez, Mary Kay Root, Representative Hamilton, Senator Papen, Senator Cotter, Representative Herrell, Representative Irwin, Representative Mary Helen Garcia, Gene Valdez and Representative Youngblood.

Ms. Root, director of the Alcohol and Gaming Division (AGD) of the Regulation and Licensing Department, provided a brief summary of the Liquor Control Act Task Force's work over the past year. She noted that the task force reconvened to re-vote on certain legislative proposals because of concerns raised by public health and safety advocates. Legislators in the working group noted that the advocates who pursued a second vote were not present at the working group's meeting.

A legislator asked what issues were identified with respect to "picnic licenses", and Ms. Root said that licensees are concerned that citations issued at events at which alcohol is served pursuant to a licensee's permit are counted against the license, putting the license in jeopardy.

Some licensees wish to see only third and subsequent permit citations counted against the license.

Mr. Andrade said that because of the concerns with picnic licenses, smaller licensees such as himself have difficulty competing with larger license holders, like NMSU, which he believes are more insulated from citations.

The working group discussed whether the director of the AGD should retain the right to overturn a local public body's decision to deny a liquor license. One person argued that the AGD director is unbiased and should decide whether the local public body's decision is supported by substantial evidence, to eliminate the possibility of licenses being withheld without sufficient reason.

A licensee said that allowing a new tavern license would enhance rural economic development in the state.

The working group agreed that it would consider legislation that incorporated the measures approved by the task force at the next ERDC meeting in November.

Sustainable Energy — Smart Grid Epicenter at NMSU

Satish Ranade, a professor in the Electrical and Computer Engineering Department at NMSU, discussed the Smart Grid Epicenter at NMSU. Jay Misra, Steve Bukouski and Jose Tabares joined Mr. Ranade in his presentation. Mr. Ranade said that the current energy grid uses very few generation facilities, serves many customers and is not friendly to the environment. These issues cannot be sustainably resolved by simply building electric generation facilities to meet energy needs during customers' peak demand, but the presenters believe the smart grids they are developing could be a solution. Smart grid technology seeks to integrate renewable resources and energy storage into the existing energy grids, which will reduce the need for nonrenewable energy sources. The presenters said that New Mexico has work force demands in the areas related to smart grid technologies that are unmet, and there is a potential for approximately 280,000 new jobs.

NMSU is currently performing foundational research in the areas of electrical and computer engineering, computer science and economics to aid with developing smart grids. The Interdisciplinary Center of Research Excellence in Design of Intelligent Technologies for Smart Grids, or iCREDITS, was created as an epicenter of research and training in smart grids at NMSU. The goal of iCREDITS is to further the science and technology necessary for the design and development of smart grid frameworks that will be intelligent, efficient, robust, self-sustaining and resilient against service failures.

Mr. Tabares, a doctoral student at NMSU, told the committee about how he came to be involved in developing smart grid technology. He emphasized the career possibilities offered in

this area of technology, and he said that there are many students in the state who are eager to participate.

A committee member asked whether the smart grid technology is in the experimental stages or if it is ready to be used. Mr. Ranade said that certain aspects of smart grid technology are ready for demonstration to the industry and implementation, but it is not ready for full implementation. Another member asked if work on smart grid technology is being performed at the federal level. Mr. Ranade replied that studies are being performed at a federal level and said that NMSU is cooperating with Sandia National Laboratories in its smart grid work.

A member asked how smart grids and iCREDITS are incorporated into NMSU's Vision 2020. Mr. Ranade said that the iCREDITS program helps to increase graduation rates because when students are involved in research, they are more focused and they are mentored.

The State's Workers' Compensation System Challenges

Darin Childers, director, Workers' Compensation Administration, Kevin McGinley, chair, Advisory Council on Workers' Compensation and Occupational Disease Disablement (ACWCODD), and Rachel Bailis informed the committee that the mission of the workers' compensation system is to ensure the quick and efficient delivery of indemnity and medical benefits to injured workers at a reasonable cost to employers. It also aims to ensure that every person who suffers a compensable injury with a resulting disability is provided with the opportunity to return to gainful employment as soon as possible.

The ACWCODD monitors the performance of the workers' compensation and occupational disease disablement systems and makes recommendations to the governor, the legislature, regulatory agencies and participating industries regarding the adoption of rules and legislation.

The presenters noted that the workers' compensation system faces challenges, including a lack of clarity in the law and the fact that incentives for return to work have been eroded. They suggested possible legislation to resolve some of the concerns. The law could be clarified to establish what takes place when drug or alcohol use is involved in a workplace injury. An appellate court decision found that the relevant statutory provisions are currently confusing and unworkable. Clarification is also needed with respect to the time and other limitations on payment for temporary disability, as well as the standards surrounding an injured employee's return to work.

The presenters said that outcomes are much better when workers are able to return to work with the employer at whose place of business the injury occurred and that they return within an average of 34 days. When workers return to work with a different employer, statistics show that it takes an average of 478 days for them to return to work.

A member said that the makeup of the ACWCODD was a concern in previous years and added that it is encouraging to see that the council is functioning smoothly. The member asked whether the council has voted on any of the proposed legislative changes yet, and Mr. Childers replied that the council has voted on the issues.

A member asked whether the return-to-work time line would be better resolved by the legislature or the judiciary, and Mr. Childers responded that either route could work. He added that the council will provide specific guidance to the legislature with respect to any legislation.

A member asked how the workers' compensation system would address a hypothetical injury sustained while a person was under the influence of legalized recreational marijuana. Mr. McGinley said that recreational marijuana would most likely be treated much like alcohol is currently treated by the workers' compensation system. Even if it is legal, it could still be a safety concern. He also stated that states such as Colorado and Washington, which have already legalized recreational marijuana, would likely create measurable standards for the hypothetical situation the member used.

Betty Rodriguez Bishop, a meeting attendee, informed the committee about her experience with workers' compensation as an employer. She said that one of her roofing company's employees fell through a hole in a skylight while on the job and while under the influence of methamphetamine. She informed the committee that clarity is needed in the law with respect to employees who are injured while under the influence because business insurance ratings are based in part on on-the-job injuries.

Approval of Minutes

The committee approved the minutes from its July and September meetings without objection.

New Mexico Association of Regional Councils — Comprehensive Economic Development Strategy — Reach New Mexico

Jeff Kiely and Tim Armer from the New Mexico Association of Regional Councils (NewMARC) informed the committee about NewMARC's RISTRA project, which aims to increase collaboration among the various economic development groups throughout the state. Economic development efforts need to be measurable so that business owners can identify their obstacles to success. In other states such as Florida, Maine, North Carolina and Alabama, systems have been developed to allow coordination among service agencies. In New Mexico, the RISTRA project will use "capture, coordinate and communicate" as its approach. The project will map economic development efforts throughout the state and create a database using that information. The NewMARC hopes to have the project fully completed by September 2015, with the first two phases being implemented in late 2014 and mid-2015.

A member asked how RISTRA will be accessible once it is finished. The presenters responded that the goal is for the project to be accessible through a web site and that efforts will

be made to protect confidential information, but most of the information will be for public access.

A member asked how the web site will provide information about the many economic incentives offered in New Mexico. The presenters agreed that the incentives should be advertised and said that the web site will include information on the incentives.

Another member asked how the legislature can assist with making RISTRA a success. The presenters responded that NewMARC will need long-term funding and staff across the state and that it will request funding during the 2016 legislative session.

Adjournment

There being no further business before the committee, the fourth meeting of the ERDC for the 2014 interim adjourned at 1:30 p.m.